

**Testimony of Frank Rehermann  
Before the U.S. House of Representatives  
Committee on Agriculture**

**To review U.S. Agriculture Policy in advance of the 2012 Farm Bill**

**Fresno, California  
May 3, 2010**

**Introduction**

Chairman Peterson, Ranking Member Lucas and members Cardoza and Costa thank you for holding this hearing to review farm policy in advance of the 2012 Farm Bill.

I appreciate the opportunity to offer testimony before the Committee on Agriculture concerning rice farmer's views on current farm policy and the development of the 2012 Farm Bill.

My name is Frank Rehermann. I am a rice farmer from Live Oak, California. My wife and I operate our farm as a family partnership, growing 800 acres of rice in the Sacramento Valley of California. I have been farming since 1972.

**Rice Industry Overview**

Rice is planted on about 550,000 acres in California primarily in the Sacramento Valley. Our Mediterranean climate is ideally suited for the production of medium grain rice. In addition to being the largest producer of this type of rice in the nation, we also grow all of the sushi rice used in the U.S. Rice farming also creates thousands of jobs in rural California communities and our fields provide unparalleled habitat for 230 species of wildlife. Internationally, about half of our crop is exported to Japan, South Korea Taiwan and Turkey.

California rice is grown by 2,500 family farmers and milled into brown or white rice by over 40 marketing organizations. Importantly, the number of marketers has more than tripled in the last decade. This increased competition benefits farmers, consumers and our customers around the world.

Another 2.5 million acres of rice is produced in the other five rice-growing states of Arkansas, Louisiana, Mississippi, Missouri, and Texas. The U.S. rice industry is unique in its ability to produce all types of rice, from long grain, medium grain, and short grain

to aromatic varieties. Last year, U.S. farmers produced a rice crop of more than \$3.1 billion in farm gate value.

Much of this economic activity occurs in the rural areas of the Sacramento Valley in California, the Gulf Coast region of Louisiana and Texas, and the Mississippi Delta region, which exported some \$2.2 billion in rice to markets around the world.

Rice is an important food around the world and at home. The 2005 Dietary Guidelines and MyPyramid recommendation, published jointly by the Departments of Agriculture and Health and Human Services, call for five to 10 servings of grains daily, with half the servings coming from whole grains, such as brown rice, and 45 to 65 percent of calories coming from complex carbohydrates, such as rice. Rice is a naturally wholesome food with no sodium, no cholesterol, no glutens, and no trans or saturated fats.

Beyond the substantial economic and nutrition benefits of rice is the environmental dividend from winter-flooded rice fields. This \$1.5 billion benefit is unparalleled in all of agriculture. We California rice farmers have embraced the role that our fields play as critical habitat for migratory waterfowl and other wetland-dependant species. Where our fields were once burned each fall, farmers now re-flood their fields, providing wintering habitat for some seven million ducks and geese that overwinter each year in the Pacific Flyway. Biologists tell us that half of the food for these waterfowl comes from rice fields. What's more, over half of the managed wetlands in the state rely on water that drains from our fields for their operations. So critical is this habitat to the flyway that experts estimate that we would lose more than 1 million ducks if rice acres were cut in half.

California ricelands and adjoining wetlands have also been designated as Shorebird Habitat of International Significance by the Manomet Center for Conservation Sciences. Home to over 300,000 shorebirds, it is the second largest area designated in North America.

Clouds of ducks, geese and shorebirds are seen every winter on the drive into Sacramento on Interstate 80. The flights of pintail and teal that almost stop traffic over the Yolo Bypass at the Vic Fazio Yolo Wildlife area are feeding on the ricelands that are purposefully incorporated into this federal wildlife area for the food they provide.

All told, some 230 species of wildlife utilize California ricelands during the year, with 31 listed as species of concern. This same success story, with regional differences, is repeated in rice growing regions across the Mid-South.

All of these benefits are essentially free to the people of California and across the nation. It is the commodity title of the farm bill that supports this flurry of wings and essential habitat for so many terrestrial species.

## **2008 Farm Bill Review**

The Food, Conservation, and Energy Act of 2008 (the Farm Bill) provides a strong and effective safety net for California rice farmers by maintaining three critical elements.

First, the marketing loan established in the 1985 Farm Bill provides essential access to financing for farmers. The loan program also serves as an important tool when world prices are impacted by stiff competition from other countries, which underwrite substantial government support.

Second, the counter-cyclical payment developed for the 2002 Farm Bill is an important tool for farmers when prices fall below a very modest target price. This ensures that farmers can cover a greater portion of their operating costs in a bad year.

Finally, the direct payment is an important part of the safety net both for farmers and for the environment. The direct payment is the foundation of the rice farmer's safety net, providing an important offset to the cost of production of high value crops such as rice. In recent years, this is the only program that has supported rice farmers. This predictable year in and year out program supports the tremendous habitat provided by rice fields. Other conservation programs such as CSP and EQIP are far from perfect and even less predictable. Conservation program benefits in rice can be clearly linked to the direct payment element of the commodity title.

We ask that you remember that the current farm bill is working and that reforms adopted in 2008 are having a tremendous effect. Annual farm program spending on rice has been reduced from \$1.2 billion to just over \$400 million currently. Under the farm bill, farmers receive a small but predictable level of ongoing support and have the benefit of a greater safety net when market prices fall. This is a system that works for farmers and for the country.

The farm bill also includes the addition of Average Crop Revenue Election (ACRE), as an alternative to counter cyclical payments for producers agreeing to a reduction in direct payments and nonrecourse loan benefits. The bill also added Supplemental Revenue Assurance (SURE) as a standing disaster assistance supplement to federal crop insurance.

Simply put, these programs do not work for rice, as evidenced by the nearly non-existent signups for these programs. Structured largely for other crops and relying on significant price and production swings, these two programs are not attractive to rice farmers who are more often impacted by significant increases in production costs.

## **Crop Insurance**

Risk management products offered under Federal Crop Insurance have been of minimal value to rice farmers due to a number of factors. Artificially depressed actual production history (APH) guarantees, high premium costs for a relatively small insurance guarantee, and the fact that rice is unique among most other major crops in its production practices are all major flaws.

For example, since rice is an irrigated crop, drought conditions rarely result in significant yield losses as growers are able to pump additional irrigation water to maintain moisture levels and, thus, relatively stable rice yields. These drought conditions do, however, result in additional production costs due to the need to pump additional water.

What rice farmers really need are crop insurance products that will help protect against increasing production and input costs, particularly for energy and energy-related inputs. For example, fuel, fertilizer, and other energy related inputs represent about 70 percent of total variable costs on average.

In this regard, the USA Rice Federation has been working for over a year now to develop a new generation of crop insurance products that we hope will provide meaningful risk management tools for rice producers to protect against sharp upward swings in input costs. Our objective is to gain approval from the Risk Management Agency (RMA) of two new products that could be available to growers in time for the 2012 crop year.

## **Conservation Policies**

Rice producers are outstanding conservationists and stewards. We strongly support and participate in voluntary, incentive-based USDA conservation programs. We are however, deeply disappointed in the practical, on-the-ground results of many of these programs.

After enthusiastically participating in the development of the Conservation Stewardship Program (CSP), we find the current program confusing. It is unclear how farmers get in the program or how they are even excluded. Screening tools are poorly adapted and not understood. As a result, we hear of fewer and fewer producers willing to participate, unlike the broad participation seen in the initial program. In order to work effectively, the program needs to be demystified and transparency significantly improved.

The Environmental Quality Incentives Program (EQIP), while an effective program for developing infrastructure like tailwater recovery systems, is poorly designed for habitat projects. The 50 percent matching fund requirement is a major stumbling block as farmers conclude that habitat projects can wait. EQIP has far to go before it can be a useful tool to provide incentives for wildlife habitat improvement.

The Wetlands Reserve Program (WRP) is also an inadequate tool for preserving working landscapes. With 30-year contract requirements, this is essentially a land retirement program. While suitable for a small number of acres in the state, it is contrary to the evidence that clearly demonstrates the significant benefits provided by ricelands in production.

We do appreciate the emphasis Congress has placed on technical assistance to producers through the Natural Resources Conservation Service (NRCS). We greatly value these significant NRCS services, especially at the state level, both from agency officials and NRCS-certified third-party providers. Conservation programs do not work without the support provided by NRCS. We simply ask that you give them the tools they need to make conservation programs truly work for rice farmers.

I can assure you that rice farmers care deeply for the environment and we take our responsibility to protect and enhance our farms for future generations seriously. To replace the current commodity title safety net with conservation programs, however, would be disastrous given the experience we have had with CSP, EQIP, WRP and others programs which are simply not tailored to rice farms.

### **Environmental Policy Challenges**

Of ongoing concern to rice farmers is the economic impact of climate change legislation on the U.S. rice industry.

One of the key areas of focus in our analysis is the impact on rice production costs, as a result of higher costs for major inputs such as fuel, electricity, fertilizer, natural gas, and propane. Rice is a high yielding crop utilizing nitrogen fertilizer, which, in turn, is made using natural gas. Moreover, all rice must be dried before it can be stored again using natural gas or propane fuels. Finally, beyond the increased costs of field production, U.S. rice must also be milled before it can be consumed or utilized in products, an expense which is also borne by producers if they are part of a cooperative. All of these already significant costs are expected to substantially increase under pending climate change legislation, both in the short and long term.

Increased input costs greatly reduces our competitiveness compared to others in the global marketplace such as Vietnam, Thailand, Pakistan and India, who will not likely bind their economies to the same level of commitments to greenhouse gas emissions reductions.

Rice farmers are not afraid to address the issues of climate change. California rice farmers have been working for three years with the Environmental Defense Fund to understand methane production in our fields. This effort is based on our commitment to understand the data surrounding the impacts of rice farming and to provide policy makers with the information necessary to evaluate viable practices for offset trading.



We look forward to contributing solutions for climate change, but our research to date has failed to find any practices that are economically feasible.

### **Trade Policy Challenges**

Another key policy focus for our industry is trade. While many previously negotiated trade agreements have promised market access gains for agriculture, much of what was promised has yet to materialize or is continually threatened by artificial sanitary and phytosanitary (SPS) and other non-tariff barriers.

In California, our key export markets are Japan, South Korea, and Taiwan, and we are regularly faced with one or more of these markets failing to meet their trade commitments.

In terms of new agreements, rice was completely excluded from the free trade agreement negotiated with South Korea, foreclosing new markets for U.S. rice producers there. And the Colombian Free Trade Agreement (FTA), which would provide significant new market access for the Mid-South rice industry, remains stalled.

One market that has the potential to become a top five export market for the Mid-South rice industry almost immediately is Cuba. Unfortunately, the U.S. government continues to maintain restrictions on our agricultural exports to this country. Cuba, once the number one export market for U.S. rice, is potentially a 400,000 to 600,000 ton market, if normal commercial relations are established. In this regard, we wish to commend Chairman Peterson and Congressman Moran for your leadership in efforts to address this situation with the introduction of legislation to further open agricultural trade as well as remove travel restrictions to Cuba. We look forward to working with you to see this legislation enacted into law.

I would be remiss if I did not at least touch on the Doha Round negotiations of the World Trade Organization (WTO). We are currently terribly outgunned by high foreign subsidies and tariffs and, at least so far, we have seen nothing in the Doha Round negotiations that would change this. In fact, in many ways Doha would make matters worse. Enshrining in our trade agreements decisive advantages for our trading partners, including such countries as China, India and Brazil, may be marketed as trade liberalization in Washington or Geneva but we see it as picking winners and losers in the global economy based on politics. Given rising future global demand for food, the U.S. should exercise great caution in negotiations, so as not to arbitrarily forfeit America's domestic production to less efficient competitors.

### **Budget Challenges**

As we look ahead to the development of the 2012 Farm Bill, we are deeply concerned about the deteriorating budget baseline for agriculture. Today, less than one quarter of one percent of the federal budget and less than 17 percent of the USDA budget is dedicated to the farm safety net. Yet, the renegotiation of the Standard Reinsurance Agreement (SRA) by USDA and the crop insurance companies could result in another baseline reduction of nearly \$7 billion. Clearly, agriculture cannot afford this kind of hemorrhaging in advance of what we understand may be a baseline farm bill and the potential of another budget reconciliation effort. Of equal concern is the adverse impact cuts to crop insurance that producers are told they will have to rely on to a greater degree in the future.

As you know, the farm safety net sustained cuts in 2005 during budget reconciliation and in 2008 in the context of the Farm Bill, even as other policies administered by USDA received funding increases, some very substantial. The success of farm legislation has always depended upon carefully balanced legislation and coalition building. We are deeply concerned that singling out the farm safety net for additional cuts may upset this fragile balance.

## **2012 Farm Bill Development**

Our industry is working internally to analyze all the existing safety net policies and evaluate their effectiveness in providing a measure of protection in the most efficient manner.

We believe some improvements may be appropriate but must be accomplished in a manner that does not cause disruption and upheaval in the U.S. agriculture production system that continues to provide our country and millions around the world with a safe, abundant, and affordable supply of food, fiber and fuel.

The key principles that are guiding our work in preparation for the next farm bill are:

1. Maintenance of a strong, effective safety net that includes marketing loans, counter-cyclical program and direct payments.
2. Recognition that conservation and environmental practices currently undertaken on rice farms pay a large public dividend.
3. Understanding that risk management tools such as Federal Crop Insurance, ACRE and SURE are not effective for U.S. rice farmers, as currently written.

## **Conclusion**

In closing, I would like to thank you again for this opportunity to share my views on the current state of the rice industry, the diverse challenges we face, and our initial thoughts on developing a 2012 Farm Bill that can help meet the risk management needs of producers. We look forward to working with you in this regard. I would be happy to respond to any questions the committee may have.



Committee on Agriculture  
U.S. House of Representatives  
Required Witness Disclosure Form

House Rules\* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2007.

Name: Frank Reherrmann  
Address: 2296 Elm Street, Live Oak, CA 95953  
Telephone: 530 713 9182

Organization you represent (if any): \_\_\_\_\_

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2007, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: None Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2007, as well as the source and the amount of each grant or contract:

Source: None Amount: \_\_\_\_\_

Source: \_\_\_\_\_ Amount: \_\_\_\_\_

Please check here if this form is NOT applicable to you: ✓

Signature: Frank Reherrmann

\* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

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Committee on Agriculture  
U.S. House of Representatives  
Information Required From Non-governmental Witnesses

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Frank Reherrmann
2. Business Address: 2296 Elm Street, Live Oak, CA 95953
3. Business Phone Number: 530 713 9182
4. Organization you represent: FJR Farms
5. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:  
Many years as a rice producer.
6. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:
7. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:  
N/A

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.